

Balkan and Black Sea Petroleum Association

15th of January 2021 – 15th of February 2021

BBSPA Monthly Bulletin

Oil and Gas Prices

Oil Price

In January 2021 US WTI spot crude oil price was around \$55/bbl.

Oil prices were reported to have recovered to prepandemic levels due to growing demand from China, and restrictions on oil production by OPEC.

Hedge funds expect more drastic increase of oil prices in post pandemic environment as many companies were damaged and lost the ability to catch up with production. U.S. shale production would not quickly rebound, given the capital required while oilfield services sector was decapitalized and lost ability to grow. According to hedge funds, supply would push prices to multi-year highs and keep them there for two years or more. Hedge funds started investing in independent producers and increased their allocations to ExxonMobil and ConocoPhillips.

According to Wood Mackenzie global oil demand is expected to increase by 6.3 million barrels per day (bpd), or 7%, in 2021 to average 96.7 million bpd

Oil price increased to a 13-month high due to freezing weather in Texas which disrupted flows from shale fields, in spite of the outage of some refineries. The price surge was backed by continuing cuts of Saudi Arabia output and potential risk for strikes of workers at Johan Sverdrupa and Troll field in the North Sea, as well as political risk around the conflict between Saudi Arabia and Yemen as well as risks that cases of corona virus in parts of China may cap recovery in fuel consumption. The major support for higher prices, which seems to be sustainable, is considered coming from the retreat of Covid globally for the last four weeks.

[Bloomberg](#), [Mediapool.bg](#), [Reuters](#), [Daily Sabah](#)

Gas Prices

Henry Hub average spot gas price was €7.8/Mwh

Spot gas prices in the region in January

Desfa reference price was €20/Mwh

Bulgarian Gas Hub price was €13.95/Mwh

Romanian Gas Exchange price was €18.1/Mwh

Hungarian Gas Exchange price was €17.6/Mwh

CEGH gas price was €18.5/Mwh

Ukraine

Ukrainian government decided to fix the end user gas price for households to be not more than UAH 6.99 per cubic meter (19.2/Mwh), including VAT and gas transmission, for the period of the quarantine, but no longer than until March 31, 2021

[Interfax](#)

Bulgaria

Bulgargaz has submitted to the energy regulator an application for approval of a price in March in the amount of BGN 28.64 / MWh. (14.64 EUR/Mwh). Forecasts for April are for an increase of 16 percent.

The price of natural gas in Bulgaria rose in February, according to the decision of the energy regulator to 15.53 / MWh.

[Economic.bg](#), [Mediapool.bg](#)

Qatar Petroleum

Qatar Petroleum said it aims to build a trading desk to rival oil majors and trading houses and to help smooth out spot gas price spikes. The company would still mainly use long-term price contracts as it expands its production, spot volumes for trading would represent about 5-10% of volumes sold.

[Reuters](#)

LNG Prices

Asian spot LNG prices fell for a third week because of the warmer weather in the northern hemisphere reaching around \$7.20 per mmBtu for March delivery and at \$6.60 per mmBtu for April. Falling prices in Asia caused diverting ships from Asia towards Europe

[Reuters](#)

Carbon Price

EU carbon permits prices rose to above 40 euros - the highest prices in the carbon market's 16-year history due to colder weather and demand for increasing the production from polluting power plants and respectively lifting demand for emission permits.

[Reuters](#)

Gas Demand, Supply and Trade

Bulgaria's privately owned coal-fired district heating company in the town of Pernik with 21 MW capacity will invest 4.1 million euro to turn to gas.

[Seenews.com](#)

Ukraine was quoted to make efforts to move gas transmission points for European buyers from the western to eastern border of Ukraine as well as to be able to buy from that point gas not only from Gazpom.

[Interfax](#)

Turkey

Turkey imported 4.3 bcm of natural gas via pipelines In November 2020, while 862 million cubic meters were purchased as liquefied natural gas. This marked an increase in pipeline gas imports of 52.5% while LNG imports dropped by 20.7%.

[Daily Sabah](#)

Gas Storage

Europe

The gas reserves in Europe's underground storage facilities fell below 50% of their full capacity, while The supply from LNG terminals in February 2021 decreased by 49% compared to a year ago; LNG supplies were redirected to N. E Asia, where the prices increased.

[Economic.bg](#)

Ukraine

Utarngaz said that due to the warm weather has stored record volume of 28 Bcm of natural gas in underground storage and may export to the European Union this winter if market conditions are favourable.

[Reuters](#)

Electricity Production & Consumption

Bulgarian government said it supports the building of unit 7 at Kozloduy nuclear plant with the available equipment from the project for the Belene nuclear power plant with expectations to become operational in 10 years. The decision followed energy ministry talks with the US nuclear engineering company Westinghouse for a hybrid solution for a new unit at Kozloduy with US technology that would make the maximum use of Russian equipment which Bulgaria has already purchased for Belene.

[Novinite.com](#)

CEZ Bulgaria

The Czech Supreme Prosecutor's Office has launched an investigation into the deal, in which the Czech state company CEZ Group sold Bulgarian TPP Varna. According to the prosecution office, there is evidence that the Czech tax payers have lost 40 million EUR with the sale.

[3e News](#)

Decarbonisation

The European Commission was forced to delay publication of detailed implementing rules on the EU's sustainable finance taxonomy due to the big number of comments from interested parties. Eastern and southern EU member states did not agree that gas was not defined as a transitional fuel even when it replaces coal in power generation. Another point was using hydrogen from various energy sources – not just renewables and recognizing the sovereignty in choosing energy mix – including natural gas – when meeting the bloc's new climate goals. The criteria for classification of companies as sustainable also was attacked as resulting in almost all companies to be considered not eligible for investing which would make difficult functioning of entire sectors of the economy.

The Commission has launched a public consultation on methane emissions in the energy sector. The objective is to put in place EU obligations on companies to mitigate those emissions across different segments of the energy supply chain.

[Euractiv, EU](#)

Bulgarian Ministry of Energy has prepared a Strategy for Sustainable Energy Development of Bulgaria until 2030 with a horizon until 2050 and published for 30 days public consultations. The document says that during the next years it is expected the producers of electricity using coal to face significant challenges coming from the new legal framework, requiring a transformation towards low-carbon market models. Having in mind the strategic character of power producers using coal, in order to guarantee the energy security, Bulgaria will continue to rely on the efficient work of these facilities.

[Bulgarian government,](#)

According to a draft plan of Bulgarian government for reforms in the electricity market, published for discussion by the European Commission, Bulgaria must terminate the long-term contracts between the National Electricity Company and the two coal fired power plants in the Maritsa basin - ContourGlobal TPP Maritsa East 3 and TPP AES Galabovo Maritsa East 1 by June 30, 2021. The deadlines are commented to be without flexibility, in spite the expected complex trade negotiations with the companies. After termination of the contracts, the role of NEC as a public supplier will be terminated. Full liberalization of households is expected to be completed by 31 December 2024. By the end of 2021, the definition of vulnerable consumers and energy poverty must be prepared.

[Source: Duma](#)

The Greek wind energy association ELETAEN has launched public consultation for a legislative framework for the development of offshore wind in Greece with a programme including auctions, ensuring stable revenues for projects via contracts for difference,. Floating wind platforms are considered as suitable as costs for bottom-fixed turbines are higher in deeper waters such as in Greece and the Mediterranean.

[Offshore energy](#)

The Turkish government released details of measures to curb the impact of climate change on Turkey. Electricity production from renewable resources would be increased to 10 gigawatts for solar energy and 16 gigawatts for wind energy by 2030,

[Daily Sabah](#)*Hydrogen*

Kawasaki Heavy Industries has completed the world's first liquefied hydrogen receiving terminal. Operation testing has started at the facility, which will be used for a demonstration test for an international hydrogen energy supply chain to transport liquefied hydrogen from Australia to Japan.

Shell, Mitsubishi and Vattenfall plan to build a 100 megawatt (MW) facility to extract hydrogen from water through electrolysis using wind and solar power located in conventional coal-to-power generation plant in Hambourg. The companies will apply for funds funding from European Union programmes under Important Projects of Common European Interest (IPCEI).

[Reuters, Offshore energy](#)

The new *US* president Biden administration has opted to temporarily suspend oil and gas leasing and permitting on federal lands and waters while it evaluates the legal and policy implications of the program. The move is a first step in delivering on President Biden's campaign promise to ban all new federal drilling permits

[Offshore energy](#)*Carbon Capture*

Elon Musk said that he will donate \$100 million toward a prize for the best carbon capture technology.

<https://techcrunch.com>

Legal and Regulatory Framework

Ukraine

Naftogaz said that their ideology is creating of a database of vulnerable consumers and help them financially, which will avoid problems when gas prices increase. This however is not possible currently as it is difficult to identify vulnerable consumers and define the needed funds.

[Interfax](#)

Ukrainian energy regulator approved the reduction of tariffs for gas distribution from 3.5% to 30% for 14 operators of gas distribution networks. Ukrainian government intends to submit a bill on merging of gas distribution companies is believed to remove the high payments for gas distribution.

[Interfax](#)

Romania

According to OMV Petrom this year is critical for the Black Sea projects with investment decisions depending on the measures taken by authorities with expectations the Parliament to change the Offshore Law in its first session. Once the Offshore Law changes, OMV Petrom will need about 12 months to decide on the investments having in consideration legislative structure, fiscal stability and the appropriate infrastructure. After the decision is made, it will take four years to start production.

Romanian energy ministry stated that the amendments to the Offshore Law have to be done with a support as wide as possible on this issue. Currently the ruling coalition holds a fragile majority in Parliament, particularly when it comes to such delicate issues and past debates on these issues revealed diverging views even within parties.

[Romania insider](#)

Upstream

Greece

Total, ExxonMobil and Hellenic Petroleum decided to postpone seismic surveys at two offshore blocks south and west of Crete for the winter of 2021-2022, instead of this winter. The consortium has yet to receive environmental approval for these blocks.

Repsol and Energean gave up from exploitation and production rights for on onshore license in the Etoloakarnania area, northwestern Greece due to the sharp drop in oil prices. Repsol is also preparing to withdraw its interests from an offshore block in the Ionian Sea through a license it shares with Hellenic Petroleum. Repsol also is reconsidering its interests in a license for an onshore block in Ioannina. Repsol, announced exploration and production investment cuts and plans to focus its activities in 14 countries, not including Greece.

[Energypress.eu, Energypress.eu](#)

Turkey

Trillion Energy plans to drill five wells in the SASB Gas field offshore Turkey and to commence redevelopments which were delayed from 2020 due to the associated slowdowns, COVID and energy markets conditions, which have only recently recovered. Several jack-up rigs are available in the region and the Company is in the process of securing a timetable for work commencement. The Company plans to fund the work through a combination of debt and equity capital.

Turkish Petroleum Corporation (TPAO) addressed IOCs to jointly develop the newly discovered Sakarya gas field in the Black Sea. The investments needed to develop the field were quoted to be \$ 3.2 billion, while TPAO has received \$ 1.9 billion from the government's 2021 budget.

TPAO was plans to acquire a fourth drilling ship in order to speed up exploration activities.

The Sakarya gas field in the Black Sea in Turkey was quoted to start production in the first quarter of 2023 through a 150-kilometer-long subsea pipeline. The first Tuna-1 well discovered 405 Bcm of gas and explorations continued with Türkali-1 well which was completed and currently Türkali-2 is being drilled at water depth of 3050 meters. The plans are to drill 10 Türkali wells in the Sakarya gas field over the next two years, each at a diameter of 2 kilometers and 40 production wells by 2028. Field production will gradually increase to reach a plateau of around 15 bcm in 2028.

[Trillion Energy, Mediapool.bg, Seenews.com, Daily Sabah](#)

Romania

Serinus Energy started drilling a well in Romania, which is expected to reach gas-bearing sand formations.

[Seenews.com](#)

According to OMV Petrom, the Romanian parliament is expected to change the Offshore Law in its first session this year.

[Romania-insider](#)

Slovenia

Ascent Resources renewed gas production in Slovenia from its tight gas field following recent increases in local gas prices.

[Seenews.com](#)

Ukraine

Naftogaz and OMV Petrom have signed a memorandum of cooperation on gas exploration & production in Ukraine. The companies will start analysing opportunities for cooperation in the prospective offshore blocks in the Ukrainian Black Sea.

[Neftegaz.RU](#)

Pipelines Projects and Supply Options

Bulgaria-Serbia Gas Interconnection

Bulgartransgaz launched a tender for contract for the supply of equipment and construction of Bulgaria's section of the natural gas interconnector with Serbia.

Serbian energy ministry announced that the tender for the construction of the Serbian section of the interconnector will be launched soon and works are expected to start in the summer of 2021. The pipeline with 1.8 Bcm/y bi-directional capacity is expected to bring gas from alternative sources like Azeri gas through TAP and LNG from Greece. The pipeline is co-financed by EU funds. Serbian energy ministry announced that expects the interconnection to be operational by 2023.

[Seenews, Seenews, Bulgartransgaz](#)

Bosnia and Herzegovina - Croatia gas interconnection

Plinacro and Bosnia's BH-Gas have signed an agreement defining the point of the southern interconnection of the two countries' gas transmission systems. The interconnection project received the status of Energy Community Project of Mutual Interest in 2016.

[Seenews](#)

IGB

Bulgarian energy regulator said that natural gas from Azerbaijan has a "significantly lower price" than gas from Gazprom. The price is increased however as it includes the cost of the booked capacity on the Trans-Adriatic Pipeline (TAP) to Nea Mesemvria, as well as additional costs from there to Greece- Bulgaria cross-border point Sidirokastro. After the commissioning of the IGB, IGB will be the shortest and most competitive route for the supply of natural gas from Azerbaijan to Bulgaria. The delay of construction of IGB is due to the spread of the coronavirus and travel restrictions. SOCAR has reserved TAP capacity, but only up to Komotini. Along this route, Bulgaria receives gas from the Shah Deniz II field in the Caspian Sea. It is also clear from the meeting of the energy regulator that the price of gas from Azerbaijan will be updated every quarter. It is tied to the price of alternative fuels - fuel oil and gas oil, reported with a nine-month delay.

To date, the contract for production and supply of pipes for the purposes of the project has already been successfully implemented. 160 km of the entire route have been cleared and there are over 130 km of pipes in preparation for the follow-up activities. The implementation of the welds continues and in the next few days it is expected to reach 100 km of welded sections. The Greek company Avax, which is responsible for the design, supply and construction of the interconnector, plans to complete it by the end of 2021.

The Greece-Bulgaria cooperation agreement on the Interconnector Greece-Bulgaria (IGB) was ratified by the Greek parliament with included taxation status of the project and the distribution of profits. Greek energy minister announced that 52% of the project is complete and is expected to be completed by the end of 2021.

[Investor.bg, 3e-news.net, Ekathimerini](#)

Nord Stream 2

The vessel approved to carry out pipe-laying for the unfinished Nord Stream 2 gas pipeline from Russia to Germany has begun preparatory works at the site in Danish waters. The resumption of work in the Danish offshore Exclusive Economic Zone using comes despite US sanctions imposed Jan. 19 against both the vessel and its Russian owner.

[spglobal.com](#)

Greece-North Macedonia Gas Pipeline Project

North Macedonia was quoted to will launch a tender for the planned construction of the 68-km Negotino - Gevgelija from Greece to North Macedonia by the end of the year. The government expects to receive a building permit for the pipeline by the middle of 2021. The construction of

the gas pipeline from Negotino to Bitola and the pipeline from Skopje to Gostivar will be completed in 2021. This interconnection will allow North Macedonia to connect to the Trans Adriatic Pipeline through Greece.

The planned capacity was quoted to be 3 billion cubic meters, not only to fully meet the needs of Northern Macedonia, but also to become a reason for more massive gasification of the country or even accelerated construction of gas connections with Serbia and Kosovo for transit of natural gas to these markets. Northern Macedonia has applied for funding through the Western Balkans Investment Framework (WBIF), where the project cost is around 50m euros.

Under the request of the Greek energy regulator, DESFA has begun preparations with the energy ministry to stage a market test by September for the Greek segment of a gas pipeline interconnector.

[Seenews](#), [slobodenpecat.mk](#), [energypress.eu](#)

Alexandroupolis FSRU

Bulgartransgaz has finalised a deal to take 20% of Greek company Gastrade, which is developing a floating LNG facility off the city of Alexandroupolis in Greece.

According to Gastrade, the project developer for Alexandroupolis FSRU, an investment decision for the facility is expected in the second quarter. Gastrade has already announced a tender offering an EPC contract for the floating LNG terminal in Alexandroupolis. With a deadline of February 18.

[Reuters](#), [Energypress.eu](#)

Nord Stream 2

President Joe Biden was quoted that he believes that the Nord Stream 2 is a “bad deal for Europe” and his administration will be reviewing restrictions on the project included in a bill that passed during the Trump administration. The State Department is expected to issue a report to Congress soon on the companies helping Gazprom complete the project, which could add pressure to firms to drop out.

[Reuters](#)

Companies

MET Group completed the acquisition of 100% of Enel Green Power Bulgaria, which owns a 42-megawatt wind park in northeastern Bulgaria, from Italy's Enel Green Power.

[Seenews.com](#)

Overgas was quoted to plan to pay the 50% share of Gazprom in the company as well as debts to Gazprom by taking credits from banks guaranteed by the gas network owned by Overgas. The procedure for granting the loan is expected to be completed by the end of the month.

Overgas Mrezhi has agreed a 117 million euro loan financing from a syndicate of five banks - Bank for Economic Co-operation, UniCredit Bulbank, Raiffeisenbank Bulgaria, DSK Bank, and Allianz Bank Bulgaria.

Gazprom said it reached a final settlement on all disagreements and claims with Bulgaria's Overgas and has agreed to sell its stake in Overgas Inc. AD for more than 100 million euros thanks to the agreements.

[Reuters](#), [Capital](#), [Seenews.bg](#)

DEPA Commercial announced that will acquire 49 percent in North Solar, a company developing solar energy projects with a total capacity of 499.61 MW in northern Greece's west Macedonia region, which is considered to improve its value in the forthcoming privatization tender, which has reached a final stage. The company was quoted to have stabilized its market share to 40%. Its position was improved also when it was no longer obliged to auction gas quantities as a part of the liberalization process.

Energypress.eu

Shell said it will reduce exploration activities in Norway to focus on natural gas production and possibly offshore wind in future. Previously *Shell* said it planned to reduce its oil and gas operations to nine basins around the world as part of its strategy to reduce the carbon intensity of its operations.

Reuters

OMV is creating a new chemicals and materials division to respond to the growing market for plastics. *OMV* wants to focus more on producing oil to make plastic rather than for burning.

The company made great progress in 2020 and was able to sign agreements for the three assets of the first divestment package: the sale of the 51% stake in the gas logistics subsidiary Gas Connect Austria, the sale of the *OMV* filling station business in Germany and the sale of the Upstream business in Kazakhstan. Second divestment package comprises *OMV*'s business in Slovenia and *Borealis*' nitrogen business

OMV, Reuters

Total said it would change its name as part of a push to diversify and grow renewable power and electricity production. The company will try over the next decade to reduce oil products to a third of its sales from over half now.

Reuters

Bulgarian gas distribution company *Aresgas* was quoted to acquire 100% of the gas distributor *Primgas*, which is active on the territory of Varna town.

Seenews.com

Bulgartransgaz asked for offers for loan financing of up to 155 million euro with a repayment term of 6 years in order to cover investment needs Chiren underground natural gas storage facility, the gas interconnector with Serbia and the participation in the liquefied natural gas terminal near Alexandroupolis. The cost of the financing should be no more than 2.5% annually.

Seenews.com



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Editor: Valentin Kunev; Ana Blagova

Office: 2 "Hristo Belchev" str., Sofia 1000 Bulgaria

Tel: 00359 2 986 06 85

Fax: 00359 2 980 15 49

E-mail: bbspetroleum@bbspetroleum.com; valentin.kunev@bbspetroleum.com

Web site: www.bbspetroleum.com

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